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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001578

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TAGS: [ECON](#) [EFIN](#) [EAID](#) [PGOV](#) [IZ](#)
SUBJECT: COR FINANCE CHAIR ON SUPPLEMENTAL CONFUSION

Classified By: Economic Counselor Todd P. Schwartz for reasons 1.4 (b)
and (d)

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Summary
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¶1. (C) During an introductory meeting with Econoffs May 21, Dr. Ayad Samarraie, Council of Representatives (CoR) Finance Committee Chair, noted that multiple plans for the Government of Iraq's (GOI) proposed supplemental budget have engendered confusion. He cited DPM Barham Salih's proposal to allocate USD 5 billion for strategic infrastructure projects and explained that part of the confusion arises because some proponents of the DPM's plan have called for an extra-budgetary allocation that would permit added flexibility to spend the funds, including continuing authority over a multi-year period. Ayad did not know whether Barham's plan would ultimately be part of the supplemental budget bill. He told us he received an invitation to attend the May 29 High Level International Compact with Iraq (ICI) Annual Review Conference in Stockholm but complained that he had not yet received a copy of the Conference report from the GOI. (Note: The report in question was published on the ICI website on May 19, 2008. End Note) When asked how 2009 federal budget negotiations would be affected in the absence of a new general census, Ayad demurred, and offered no predictions. Ratification of two new Japanese soft loan-financed projects may be delayed unless the Japanese can allay concerns within the CoR that their projects are "fairly" distributed throughout Iraq in accordance with the constitution. End Summary.

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Supplemental Concerns
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¶2. (C) In a wide-ranging discussion with Econoffs, Dr. Ayad Samarraie noted an abundance of confusion within the GOI and the CoR concerning plans for a supplemental budget. He referred to Deputy Prime Minister (DPM) Barham Salih's proposal for a USD 5 billion allocation that would fund strategic infrastructure projects, with spending authority of up to five years. Ayad said that the GOI needed to determine whether the DPM's planned allocation would be "on-budget" or "off-budget." If it were the latter, Ayad asserted the GOI would have greater flexibility in spending the funds, including extending spending authority beyond the fiscal (calendar) year. Furthermore, according to Dr. Ayad, if the supplemental budget were to remain "on-budget," the Kurdistan Regional Government (KRG) would need to be allocated its 17 percent as outlined in the 2008 federal budget law. He claimed that he had seen three separate plans including a draft law that the GOI sent to the CoR, after which the Prime Minister's office notified him that the draft in question was in fact not final. Ayad confessed, "We need to spend the money, but we don't know how."

¶3. (C) Note: Confusion regarding proposed supplemental budgets extends beyond the CoR to ministries and provinces. We have pressed Finance Minister Jabr to unite the three

potential supplemental budget requests (MoF capital, DPM strategic infrastructure, and Trade Ministry PDS procurement) into an omnibus bill that might reduce confusion and broaden support for these equally important measures. However, Minister Jabr has thus far refused to take such a bold stroke, focusing instead on passage of his capital program supplement. End Note.

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Donor Issues
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14. (C) Ayad noted he recently received an invitation to attend the ICI ministerial in Stockholm. He preferred having an independent authority assess the GOI's progress on meeting ICI benchmarks but provided no additional details on setting up such a mechanism. When asked about the proposal to adopt a co-financing scheme for new donor assistance, Ayad told us he had yet to see it.

15. (C) Econoff noted the forthcoming agreement on two additional Japanese soft loan-financed projects and urged Ayad to ensure the smooth passage of the loan ratification upon eventual referral to the CoR. Ayad said he appreciated the need for expedient passage, but noted that he takes seriously the CoR's duty to ensure the projects are "fairly, not equally" distributed in accordance with the constitution. Highlighting his role in convincing VP al-Hashimi to lift a veto of an earlier bill ratifying four separate projects, Ayad lauded the Government of Japan as the "best" donor because of Japan's willingness to reallocate projects in response to Iraqi concerns. He welcomed a meeting with the

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Japanese to discuss his constitutional concerns.

16. (C) When asked about the status of a package of USD 1 billion loans from Iran, Ayad confirmed that the CoR has yet to receive a draft bill ratifying the loan agreement. Until then, "It is just a promise," he said.

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Finance Committee Legislation
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17. (C) Ayad reviewed legislation for which his committee had oversight, including the civil service pay raise. He claimed he had seen an early estimate of the cost of a law increasing public sector salaries (which the Presidency Council endorsed May 4) at approximately USD 1.5 billion, but stressed that it was not an official estimate. He complained that a number of different groups including judges and agricultural and civil engineers were lobbying the CoR for their own pay raise following the successful passage of a university service law, which specified pay increases for higher education officials. In his view, the CoR should have passed one law that would uniformly increase all groups' salaries. Similarly, Ayad said that the CoR should not consider legislation governing the Social Safety Net alone, but rather draft a unified bill addressing all welfare concerns for the most vulnerable segments of society.

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Comment
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18. (C) Ayad's opinions underscore the continuing development of the CoR as an independent and co-equal branch of the Iraqi government, which is positive. He noted that a team of USAID-funded Iraqi BearingPoint advisors assigned to assist his committee's work were providing much needed expertise. His (lack of) response to our question about 2009 budget negotiations bodes ill for the prospects of speedier passage, but affirmed our suspicions concerning the consequence of the GOI's inability to conduct a general census until late summer 2009 (as GOI officials have recently stated to the media). In

spite of repeated assurances by GOI officials to the contrary, Ayad's characterization of the current status of the budget supplemental may forebode protracted negotiations upon the bill's introduction to the CoR. End Comment.
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